

## Pension policy reforms in Germany

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Hertie School of Governance - working papers, No. 10, March 2008

## **Pension Policy Reforms in Germany**

Christine Ante (Student, Master of Public Policy, Class of 2008)

Foreword by Prof. Stein Kuhnle (Hertie School of Governance)

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# **Pension Policy Reforms in Germany**

## ***Foreword***

Christine Ante has written this policy report as part of assignments for the Elective Course on “A New Social Europe?” organized by Stein Kuhnle for the Master of Public Policy program at the Hertie School of Governance during the Fall semester 2007.

The aim of the course was to look at what is happening at the European (EU) level and at commonalities and variations at the national level in today’s European welfare states. The purpose of the course was to give students a deeper understanding of European welfare state development, to study the role of the EU for national developments, and to study to what extent examples of national reforms can be understood as responses to exogenous or endogenous economic, social and political challenges.

As *one* assignment students were asked to write about – and characterize - reforms in different social policy fields – family-, health-, labour market- and pension policy - within one of the following countries, representing different types of welfare states or ‘welfare regimes’: Denmark, Germany, Poland and the United Kingdom. The general research question given was: Is there a new politics of welfare in the (selected) European countries? Is there a change of path of social policy or welfare state development? Students were asked to relate to conceptualizations of types of welfare states and concepts or theories of policy change; to report on major recent reforms; to discuss the contents and implications of reforms in light of theoretical conceptualizations; and, if possible, discuss why and how reforms came about. Thirteen students participated in the course, and reports were written on labour market reforms and pension reforms in all four countries; on family policy reforms in Germany, Poland and the UK; and on health policy in Poland and the UK. The course was very much an interactive, collective undertaking and the other students participating and actively taking part in discussions, and thus contributing to the improvement of single policy reports were: Veselina Angelova, Simon Bruhn, Nevena Gavalyugova, Ariane Götz, Henry Haaker, Nevena Ivanović, Jan Landmann, Diana Mirza Grisco, Ruth Obermann, Diana Ognyanova, Julie Ren, and Lyubomir Todorakov.

Stein Kuhnle

Professor of Comparative Social Policy, HSoG Course Instructor/Convener

## ***Abstract***

This paper states that German pension policies have taken a new path. After describing the major characteristics of the German post-war pension system, the paper will analyse the major reforms since 1989 and the way they changed and challenged the main characteristics of the pension system. As a next step, the paper will revise the reforms in several different aspects. Firstly it will argue that the way of decision-making changed: the role of the social partners and of inter-party consensus-building diminished; the actors' constellation became more pluralistic. Secondly, policy change will be discussed in light of Peter Hall's concept, concluding that a policy paradigm change took place - incrementally. Thirdly, against the background of Esping-Andersen's welfare typologies, it will argue that there is an initial shift (especially in ideas) from a conservative pension model towards a liberal one.

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## **1. Introduction**

This paper analyses the pension policy reforms in Germany with a special emphasis on the reform conducted in 2000/2001 by the Schröder government. After giving an overview of the post-war pension system, I will evaluate the pension policies of the Kohl government – most importantly the 1997 reform –, and the 2001 reform undertaken by the Schröder government. I will discuss the main features of the reform and their impact on the post-war pension system. In chapter 5, I will have a deeper look at the way these pension reforms changed decision-making and review them in light of the concept of social learning provided by Peter Hall (Hall 1993) and against the background of Esping-Andersen's welfare typology (Esping-Andersen 1990). Finally, I will reconsider my analysis in terms of the question: Have German pension policies taken a new path of welfare?

## **2. The Post-War Pension System**

The existence of the German pension system goes back as far as to Bismarckian times, when in 1889 a law on invalidity and old-age insurance established a statutory pension scheme (*Gesetzliche Rentenversicherung*). After World War II the Adenauer government decided in 1957 to replace the then-existing fully funded scheme with an insurance-based pay-as-you-go system (PAYG), in which contributions are not capitalized, but immediately employed to cover current pension payments. Because of the world wars there were hardly savings stocked, and the PAYG system was able to provide all pensioners with rather high pensions immediately instead of leaving pensioners to themselves. Thus, it was of tremendous political advantage for the government, especially among older voters. However, criticism already then pointed to its lacking long-term financial security, which Adenauer rejected with his famous sentence “people will always have children” – a momentous misconception. In 1972, the Brandt government expanded the statutory pension scheme: possibilities for claiming pension payments were extended, pensions for low income earners increased, early retirement was facilitated and the retirement age was lowered (Aust et al. 2002).

At the end of the 1990s, the German pension system consisted of three pillars. The first pillar, the statutory pension scheme, was most decisive for financial retirement safeguarding, survivors',

and disability benefits: it provided for more than 80 % of all retirement income and included all gainfully employed (Aust et al. 2002, Scharpf 2000, Schmähl 2003). The emphasis on the statutory system is linked to the constitutional principle of “social justice” (*Sozialstaatsprinzip*), from which social security for the aged can be deducted (Andersen et al. 2003).<sup>1</sup> Company based pension schemes constituted a second pillar covering about 2/3 of all employees (more men than women) with invested balances summing up to 250,000 million Deutsche Mark (Whiteside 2006). Contributions as well as the involvement of individual employers and employees varied significantly; in addition, coverage differed in different branches (Aust et al. 2002, Schmähl 2003). As a third pillar, voluntary capital funded savings were available on the free market. Here, a great variety of types exists. These are sometimes tax-privileged, such as the risk pooling life insurances. The second and the third pillar each contributed 10 % to the overall pension expenditures at the end of the 1990s (Schmähl 2003).

Four further factors were characteristic for the German pension system at the end of the 1990s. (1) The major goal of the system was to guarantee the maintenance of the attained standard of living (*Lebensstandardsicherung*). The replacement rate<sup>2</sup> was at about 70 % and survivor benefits were comparatively high. Furthermore, pensions were highly dependent upon the individual employment record; there was a strong link between contributions and benefits and individual claims were accumulated. (2) Another important feature of the German pension system was the shared financing of the first and the second pillar by employers and employees (*“paritätische Finanzierung”*). Social partners played an important role; moreover, they operated the pension insurance, although the government regulated rates and key parameters. Federal grants have traditionally been comparatively small<sup>3</sup> (Aust et al. 2002, Ginn et al. 2007). (3) Thirdly, the model was closely related to the male breadwinner, the premise being that the working man is in gainful employment liable to insurance deductions whereas the woman is a housewife. (4) Finally, Germans developed a high confidence in the post-war pensions system and believed in its capability to guarantee living standard-maintaining retirement incomes. This

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<sup>1</sup> The principle of „social justice“ (*Sozialstaatsprinzip*) is codified in article 20 of the constitution and as such unchangeable. It sets the foundations for a “social market economy” and codifies the obligation of the state to work towards a security of existence and social security for all its citizens and towards social justice between them. Social security for the aged – as one group among the others - can therefore be deducted from this principle.

<sup>2</sup> The *replacement rate* is defined as the replacement of the average net income conducted in the working life in percentage (Ginn et al. 2007:21)

<sup>3</sup> For a more detailed discussion see p. 9



can also be attributed to the fact that it provided pensioners with comparatively high incomes (Schmähl 2003, Hinrichs 2006, Aust et al. 2002).

However, the system already then had severe financial problems due to two major reasons: an ageing society and decreasing competitiveness of the Rhenish welfare capitalism. Low birth rates and higher life expectations caused increases in expenditures (Aust et al. 2002). Furthermore, official economic assumptions had been overly optimistic. The Rhenish welfare capitalism caused growing (structural) unemployment and a low employment rate of both women and men. Hence, revenues of the insurance system decreased. Moreover, the pension system and other non-wage labour costs burdened especially low wage jobs, hereby damaging less productive services - a field with low employment rates in Germany (Scharpf 2000). Also, since the system relied on permanent full-time employment relationships, the process of de-standardisation on labour caused additional problems (Aust et. al 2002). Already in 1996, the OECD calculated the “estimates of financial liabilities in Public Pension Programmes 1995-2030”, according to which German public pension payments measured in percentage of GDP were supposed to increase from 11.1 % in 1995 to 16.5 % in 2030 and the tax/GDP ratio required to keep the net debt constant was estimated to increase from 2.8 in 1995 to 9.7 in 2030. The financial problems trapped Germany in a *circulus vitiosus*: Increasing social contributions rates would further damage the economy, decrease employment and increase benefit costs (Natali et al. 2004; Scharpf 2002).

### **3. Pension Reforms by the Kohl Government**

“One thing is sure: pensions.” This CDU slogan from 1986 shows that pension reforms have been prominent on the political agenda in the 1980s and 1990s. After the election of the Kohl government in 1982, several small reforms were carried out;<sup>4</sup> only in 1989 a major reform was undertaken. While the 1972 reform expanded the statutory pension scheme, the goal of the 1989 reform was financial sustainability combined with keeping a high replacement rate. Although at that point several (sometimes radical) options were discussed, the government opted for system-immanent reforms. A new indexation of annual pension adjustments decreased real pension

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<sup>4</sup> These several smaller reforms aimed for example at a more similar treatment of widows and widowers, introduced introducing child credits because of reasons of justice with respect to mothers, and decreased survivors’ pensions for those with high pension levels.

claims, and several policy measures aimed at increasing the retirement age to 65 years, but were of rather modest nature (Aust et al. 2002). “The cumulative effect of the various reform elements was expected to facilitate a contribution rate of 26.9 per cent instead of 36.4 per cent in 2030” (Hinrichs 2006: 5). These measures were expected to slow down the rise of social contributions to “only” 26.9 % instead of 36.4 % in 2030 (Ginn et al. 2007, Hinrichs 2006). In addition, policies to advance child rearing were significantly enhanced and the federal grant was increased (Aust et al. 2002). The Kohl government was convinced that after this reform, no further measures would be necessary until 2010 (Hinrichs 2006).

However, the financial problems of the system increased even more with rising unemployment. High transfers out of the pension insurance were directed at Eastern Germany after German unification – which could not be foreseen even in 1989 when the last pension reform was carried out. Contributions rose. In light of the upcoming federal elections and in order to show its ability to act, the 1997 reform conducted by the Kohl government introduced measures of financial consolidation, focusing on stable contribution rates. Most importantly, a “demographic factor” was introduced in the pension formula in order to take into account increased life expectations; as a consequence, the replacement rate would decrease from 70 % in 1997 to 64 % in 2030. Eligibility criteria for disability pensions were tightened. Again, the federal grant and credits for child rearing were extended (Aust et al 2002). Still, the reforms already pointed at the institutional failure of the pension insurance system. These policies were in sharp contrast to earlier declarations that pensions were secured.

The reforms undertaken by the Kohl government were system-immanent. Still, two factors of the second reform stand out: Firstly, while the 1989 reform emphasised both financial sustainability and the preservation of the high replacement rate (and therefore guaranteed the maintenance of the attained standard of living), the second reform broke with the latter characteristic of the German pension scheme (Aust et al 2002). Secondly, the way of decision-making changed: Before the second reform, the traditional governance mode of consensus-building required the two big parties to give a say to their respective counterpart in pension policy reforms. In 1997, SPD opposed the reforms, and the CDU implemented them anyway (Aust et al. 2002).

#### 4. The Schröder Government and The 2001 Reform

In line with its opposition to the last CDU reform, the red-green coalition elected in 1998 rescinded major parts of the 1997 reform, including the demographic factor (which at that point had not yet come into effect) and increased the coverage of the statutory pension scheme. Once again the federal grant was raised, which, in spite of the other measures increasing the expenditures of the system, enabled a lowering of the contribution rate from 20.3 % to 19.3 % (Aust et al. 2002).

Then, to the surprise of many, reformers inside the SPD took over and changed the course of the coalition – most decisively in fiscal, labour market and pension policies. In 1999, the Minister of Labour, Walter Riester, proposed a fundamental pension policy reform, which was controversial within and outside the coalition (Aust et al. 2002). Following the traditional pattern of consensus-building in the field of pensions, the SPD consulted with the CDU, and also with the social partners. In May 2000, Riester proposed a new package. One major element was the introduction of a voluntary private pension pillar<sup>5</sup>, which however was not made compulsory due to the critique of the trade unions and the left – as a consequence, fiscal incentives for private pensions were strengthened. From the year 2008 onwards, contributions of up to 4 % of the individual gross income will be subsidised and there will be further incentives and top-ons for low income earners and parents. Another 4 % can be made subject to company based pension schemes – these subsidies increased due to concessions to the trade unions. Furthermore, the plan to introduce a minimum pension was dropped because of critique from the CDU; in return means-testing for pensioners relying on social assistance became less strict. Other major proposals were kept: the reform package included a change in survivors' pensions and a further reduction of replacement rates by an indexation of pensions to prices in 2000 and 2001, a fixation of pension insurance contributions (at a maximum of 20 % in 2030 and 22 % in 2030) and another increase of the federal grant. The trade unions agreed to the new pension plans after several other concessions, but the CDU still opposed the reforms. However, somehow it was unable to organise a blockade in the second chamber, the Bundesrat (Aust et al. 2002; Hinrichs 2006).

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<sup>5</sup> The new credit reserve fundings are located in the private sector; they consist of individually and privately conducted old-age provisions subsidised by the state with bonuses, tax advantages and reductions of social insurance payments (“*Riester Rente*”). In order to be eligible for state subsidies, the private pension plans have to fulfill several conditions, such as the guarantee of a nominal payment of the amount paid in and the payment of the accumulated capital at the point of retirement or inability to work.

The 2001 pension reform is a major and decisive reform because of several reasons. Most importantly, (1) the strengthening of the third pillar is a major change in the balance between the three pillars (Aust et al. 2002). The burden of social risk partly shifted from the state to the individual. Although 4 % are by no means an indication for a radical substantial shift, it is a break with ideas. Combined with the fact that pension entitlements and replacement rates will decrease to 67 % in 2030 due to the new pension indexation formula, this is (2) a fundamental change away from the principle that the statutory pension aims at maintaining living standards – which in the future will only be possible with additional private or company-based pension schemes. Furthermore, (3) the fixation of contribution rates made the benefit level instead of the contributions the dependent factor (Hinrichs 2006). (4) The cut in survivors' pensions reveals a turn away from the male breadwinner model. (4) What is also important is the break with the *paritätisches System*: employees alone pay for the third pillar without similar grants by the employers (Aust et. al 2002). Finally, (5) in all reforms since 1989, the size of the tax-financed grants increased. The share rose from 21 % in 1991 to 33 % in 2006 (Hinrichs 2006). The federal budget subsidised the pension insurance with 77 billion Euros in 2006; including neither the further 55 billion Euros of additional subsidies for the pension insurance (Das Parlament 2006), nor subsidies for private pension savings, which are expected to be 11 billion Euros in 2008 (Lamping and Rüb 2001).

Since 2001, further pension reforms were carried out. Two commissions, most prominently the “Rürup-Commission”, composed of experts and social partners, proposed further deductions in the replacement rates, changes of pension taxation and an increase of the age at retirement up to 67 years. Major parts of these proposals have been implemented up to now.

## **5. The Pension Policy Reforms Reconsidered**

So far, I have shown the history of the German pensions system and its main features, analysed the Kohl reforms and the 2001 reform, and illustrated their main characteristics and the way they changed the post-war pension system postulates. I will now turn to analyzing the reforms (1) according to the underlying governance patterns and decision-making procedures, (2) in light of

Peter Hall's (1993) theory on policy change, and (3) against the background of Esping-Andersens "Three Worlds of Welfare Capitalism" (1990).

### **5.1. A Changed Way of Decision-Making**

The way of decision-making changed in several aspects. A major difference lies in the interaction between the two big parties in Germany. The tradition of inter-party consensus-building as a prerequisite for reforms was disregarded first by the CDU in 1997 and then by the SPD reforms in 2000. This reciprocal opposition to policy proposals has had important consequences. As the institutional context of welfare state retrenchment differs from the one of welfare state extension, politicians try to avoid blaming for cutbacks in order to get re-elected (Nye 2003). In case of inter-party policy consensus, voters have no alternatives to the government's reform agenda. When this consensus is not present anymore, it becomes more important to take stakeholders and electoral groups into account.

Yet another significant pattern of governance changed: according to Trampusch (2005), social partners became less important. "Because the social partners declined the offer of the government to reform the social insurance system with a consensus, politicians now reform the social state" (Trampusch 2005:19).<sup>6</sup> All in all, in Trampusch's opinion the red-green coalition led to a more active government and to a party system acting more autonomously from social partners. In addition, since the 1990s, the old-style "social politicians" (Trampusch 2003), who were strongly connected to the social partners, are no longer decisive for social policies: now, "party politicians", who prioritise on their political career, took over (Trampusch 2003).<sup>7</sup>

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<sup>6</sup> In her analysis, Trampusch draws not only upon the 2001 reform, but also on the time afterwards and the Rürup Commission

<sup>7</sup> On the basis of an analysis of curricula vitae of the MPs in the Parliamentary Committee for Labour and Social Affairs from 1972-2002, Trampusch (2003) analyses the connections between the MPs and social partners, social interest groups and institutions of social administration. In the 1970s and 1980s the connection was strong; since the 1990s this linkage became less important for CDU deputies in general and for SPD politicians in their connection with unions, workers' councils and socio-economic interest groups. In both parties, a professionalisation of the politicians can be observed. Before, social politicians (who had strong connections to social partners, civil society and social institutions) together with leaders from the social partners and experts from the ministries were decisive for social policies. Now, party politicians do not represent social interests or social interest groups, but prioritise on their political careers; their occupation is not in social policies, but in politics. For Trampusch, this implies a change of the elite and is the first sign for a beginning de-corporatisation – a weakening of the corporatistic linkage between state and social partners.

The actor constellation was moreover diversified by the introduction of new actors in the arena of pension policy decision-making: new think tanks, “party politicians”, the finance minister (due to the accepted need for a sustainable federal budget), and the finance industry (because of the highly strengthened third pillar) (Schmähl 2003). Also, media coverage increased, emphasising the lack of financial sustainability. Not only was the corporatist interaction fractured as described above, but also the whole policy process became more complex and disputed (Nye 2003).

## **5.2. A Change of Policy Paradigm?**

In his concept for policy change, Peter Hall (Hall 1993) analyses the policymaking process as social learning,<sup>8</sup> in which ideas play an important role. For a policy change to occur, three features are central: previous policies, key agents for the learning process – on most occasions either experts or politicians –, and the capacity of states to act autonomously from societal pressure. According to Hall, the policy-making process includes the following three variables: goals in a particular policy field, techniques and instruments used to achieve these goals, and precise settings of these instruments. Change can occur in three different ways. (1) A first order change is characterized by incrementalism, satisficing and routinised decision-making, as a result of which the instrument settings change. (2) In the course of a second order change, policy and their settings are altered; strategic action takes place, but the hierarchy of goals behind the politics are not changed. The latter is only established in a (3) paradigm change, when a radical change inherits periodic discontinuities in policy. A policy paradigm is defined by Hall as an interpretative “framework embedded in terminology through which policymakers communicate about their work” (Hall 1993: 280). Since they are usually not questioned, policy paradigms are highly influential. Paradigm changes usually occur for sociological reasons and “involve the accumulation of anomalies, experimentation with new forms of policy, and contest between competing paradigms” (Hall 1993: 280). For its maintenance of the new paradigm, authority is required.

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<sup>8</sup> He defines social learning as „a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information. Learning is indicated when policy changes occur as the result of such a process”

In Germany, changes occurred incrementally: although the institutional failure of the pension system could be foreseen already in the 1990s, measures were system-immanent and only gradually and incrementally questioned the system itself. The first reform of the Kohl government fulfils all the characteristics of a first order change. The 1997 reform constituted an initial change of ideas; especially because the demographic factor questioned the postulate of the maintenance of the acquired standard of living. Hinrichs (2006) classifies the reform as a second order change. The first reform of the red-green government in 1998 then retracted these changes. On the contrary, the 2001 reform broke with a number of postulates of the former pension system. Also the discourse changed towards a focus on financial sustainability, demographic change, globalisation, and the so-called concept of “intergenerational justice” (Ginn et al. 2007). Incrementally and with every reform – not just with one -, the balance between social contribution levels, the federal grant, and the replacement rate was changed. The balance between the three pillars and between private and public security shifted - even if the subsidised private safeguarding pillar is only to make up 4 %, the shift in the nature of the system is persistent. All major characteristics of the post-war pension system were challenged. As Natali et al. (2004) point out, this occurred together with a questioning of fundamental assumptions of the conservative pension model - constant economic growth, full employment, family stability, low female work participation. In the words of Hall, accumulations of policy failures occur.

Hall described a policy paradigm as a comprehensive framework for a certain policy field and a paradigm change as the re-balancing of social goals and ideas to the disadvantage of others. The analysis above shows that this did happen in the field of pension policies in Germany. Therefore, one could argue that a change of the policy paradigm took place. However, it did not happen with only one reform, but in a continuous, long-term process.

### **5.3. From a Conservative towards a Liberal Pension System?**

Esping-Andersen’s famous study on the “three worlds of capitalism” (Esping-Andersen 1990) typologised welfare states on the basis of their outcomes, focussing on de-commodification, stratification and employment. The diverging outcomes developed in a history of path dependencies based on different political circumstances and class interactions. Germany is

labeled a “conservative-catholic/etatist” welfare state.<sup>9</sup> The pension system of a conservative welfare state is described by the following characteristics: a moderate level of decommodification, income maintenance related to the former position on the labour market for reasons of status maintenance, corporatism and etatism as governance models and a slender solidarity based on corporatism. It is oriented towards the “male breadwinner model”: men earn the family wage whereas women take care of housework, children and eventually of handicapped or aged family members. In the pension system, high survivor’s benefits are a consequence – as a result, divorced women have the highest risk of poverty at old age (Aust et al. 2002, Esping-Andersen et al. 2002, Scharpf 2000, Ginn et al. 2007).

The role, the view on, and the degree of decommodification were changed substantially with the introduction of the third pension pillar in the 2001 pension reforms. Many authors see this as a first step towards a totally new pension system, in which a minimum pension is financed by the statutory insurance system and additional allowances have to be attained by private pension schemes (Aust et al. 2004, Scharpf 2000, Natali 2004). Then, the introduction of a (small) third pillar would imply a first small step towards a totally new public – private division: a shift towards a liberal model of welfare. The changed stratification also clearly points not only to a move away from the conservative welfare state, but clearly towards the direction of a liberal welfare state. Furthermore, other features of a conservative pension scheme are challenged: the income maintenance is decreased by the new indexation formula, the corporatist governance model has changed, and survivors’ pensions were cut. The slender solidarity relying on corporatism is challenged by the introduction of a new private pension scheme, albeit only to a small degree due to the currently still low importance of the private pillar. Therefore, one could argue that a first move towards a liberal pension scheme can be observed, although up to now this shift has not been reflected in substantial changes, but rather manifests in a change of ideas.

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<sup>9</sup> The conservative welfare state has the following features: It is traditionally relying on the historical legacy of Catholic social policy, on corporatism and on etatism. The decommodification level is moderate. In regard to stratification, the state provides for income maintenance related to the former individual position on the labour market, which implies a slender solidarity also based on corporatism. Furthermore, in order to preserve traditional family structures, conservative welfare states discourage employment of married women and emphasise subsidiarity. It is transfer-intensive, but not service-intensive. (Esping-Andersen 1990, Arts et al. 2002)



A shift towards a liberal welfare state of course implies trade-offs. Advantages can be foreseen in the fields of financial sustainability and contribution rates. Disadvantages, such as decreasing social inclusion and increasing old-age poverty, can also be expected. The number and size of private pension plans will lag behind due to insufficient information (Boeri et al. 2002, Börsch-Supan 2002) and little participation of low income earners who might not be able to bear the additional burden. In 2002, only 2 million out of the 35 million persons eligible undertook private pension savings. Furthermore, the losers of the 2001 reform – women and low income earners – are subgroups which are also oftentimes disadvantaged in liberal welfare states (Ginn et al. 2007, Essig et al. 2004, Hinrichs 2006, Schmähl 2003).

## **6. Conclusions: New Politics of the Welfare State?**

The reforms undertaken by the Kohl and by the Schröder government broke with the main characteristics of the German pension system. These characteristics - standard of living maintenance, high replacement rates, *paritätische Finanzierung* and the male breadwinner model – were all challenged. At the same time, other factors, such as low contribution rates, were emphasised. The third pillar of private pensions was re-defined and strengthened, which constitutes a shift from public security towards private security.

In part 5 of this paper, I have shown that, over time, (1) the way of decision-making changed: parties no longer search for inter-party consensus in the field of pension policies and therefore increasingly need to take electoral groups into account; the role of the social partners diminished; the influence and the number of “social politicians” decreased; and the actor constellation diversified by the introduction of new actors. Secondly (2), the outlined change of the system according to my analysis can be classified as a policy paradigm change in the way described by Hall (1993). Over time, social goals and ideas were re-balanced. (3) In the last part, I showed that, in light of Esping-Andersen’s (1990) welfare typology, the conservative pension system is moving towards a liberal pension scheme, although this shift is up to now not too substantial, but rather manifested in ideas. The role of decommodification changed substantially, stratification points to a liberal direction, and fundamental features of the conservative pension scheme – income maintenance, corporatist governance, survivors’ pensions – are challenged.

“Social policy is a process that unfolds over time” (Pierson 1996: 179). Coming back to the question of whether there is a new politics of welfare, my analysis shows that there has been a shift. It might not yet be very radical in a substantial way, but surely constitutes a substantial break with ideas. A new path of welfare has been entered.

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